

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

9 9 - 0 1 3

2. STATE:

Arizona

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 1999

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

CFR 447.201 and 447.302 and 1902(a)(13)(E), 03(a)(1)
1903(n), 1920 and 1926 of the Act

7. FEDERAL BUDGET IMPACT:

a. FFY 99-2000 \$ 0b. FFY 2000-2001 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, Pages 1-6

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-B, pages 1-6

10. SUBJECT OF AMENDMENT:

Methods and Standards for Establishing Payment Rates-Other Types of Care

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: Not Applicable

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Lynn Dunton

14. TITLE:

Assistant Director

15. DATE SUBMITTED:

16. RETURN TO:

AHCCCS

801 E. Jefferson
Phoenix, AZ 85034

ATTN: OPAC MD# 4200

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

December 30, 1999

18. DATE APPROVED:

November 16, 2000

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

October 1, 1999

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Linda Minamoto

22. TITLE:

Associate Regional Administrator
Division of Medicaid

23. REMARKS:

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

The following is a description of methods and standards for determining payment rates for specific services when payments are made directly to providers. Fee-for-services payments are made in accordance with the Arizona Health Care Cost Containment System Fee-For-Service Provider Manual and are subject to the limitations set forth in Attachment 3.1-A of the State Plan.

- **Outpatient Hospital Services**

Beginning with dates of service on and after March 1, 1993, AHCCCS shall reimburse hospitals for outpatient acute care hospital services by multiplying covered charges on an approved claim times the hospital-specific outpatient Medicaid cost-to-charge ratio. The cost reporting and claims data used for computation of the cost-to-charge ratio initially is the same as that described for inpatient hospital services in Attachment 4.19-A. Outpatient cost-to-charge ratios are computed for each hospital by determining the charges and costs associated with treating AHCCCS members in an outpatient hospital setting. Operating and capital costs are considered for the outpatient cost-to-charge ratio computations for each hospital. Medical education costs are excluded from the computation of outpatient cost-to-charge ratios because medical education costs are paid separately, as defined in Attachment 4.19-A.

Hospitals shall not be reimbursed for emergency room treatment, observation hours, or other outpatient hospital services performed on an outpatient basis, if the member is admitted as an inpatient to the same hospital directly from the emergency room, observation or other outpatient department. The emergency room, observation, and other outpatient hospital services provided before the admission are included in the tiered per diem payment.

Outpatient hospital payments shall be subject to the quick pay discounts and the slow pay penalties described in Attachment 4.19-A.

Annual Update

AHCCCS shall rebase the outpatient hospital cost-to-charge ratio at least every one to four years using updated Medicare Cost Reports, and claim and encounter data.

New Hospitals

New hospitals, as defined in Attachment 4.19-A, will be assigned the statewide average outpatient hospital cost-to-charge ratio.

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Out-of-State Hospitals

Out-of-state hospitals will be paid the lesser of: a negotiated discount rate, the Arizona outpatient hospital statewide average cost-to-charge ratio, or if reasonably and promptly available, the Medicaid rate in effect on the date of service in the state in which the hospital is located.

Specialty Rates

The Administration may negotiate special contracted rates for outpatient hospital services provided in specialty facilities.

- **Laboratory Services and X-Ray**

AHCCCS's capped fee amounts will not exceed the reimbursement amounts authorized for clinical laboratory services under Medicare as set forth in 42 CFR 447.342.

- **Pharmacy Services**

Reimbursement is subject to the limitations set forth in 42 CFR 447.331 through 447.332.

- **EPSDT Services Not Otherwise Covered in the State Plan**

AHCCCS reimburses for chiropractor services using a capped fee schedule. Payment is the lesser of the provider's charge for the service or the capped fee amount established by AHCCCS.

AHCCCS reimburses for personal care services using a capped fee schedule. Payment is based on the lesser of the provider's charge for the service or the capped fee schedule established by AHCCCS.

AHCCCS reimburses for hospice services, including routine home care, continuous home care, inpatient respite care and general inpatient care. Payment is based on the annual hospice rate established by the Health Care Financing Administration.

- **Organ Transplantation**

As authorized in Attachment 3.1-E, AHCCCS reimburses for organ transplant services which are medically necessary and not experimental based on a competitive bid and/or negotiated flat rate process in accordance with State law. The rates are inclusive of hospital and professional services. If the service is provided in another state, AHCCCS will pay that state's approved Medicaid rate for the service or the negotiated rate, whichever is lower.

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• **Federally Qualified Health Centers (FQHCs)**

The payment methodology is effective October 1, 1997 and will continue through September 30, 2003. It provides a quarterly payment per member per month (PMPM) to all FQHCs in Arizona which have accepted the terms of the payment agreement. Clinics that achieve FQHC status after implementation of the payment agreement will be offered this method of reasonable cost reimbursement. The terms of reimbursement to a new FQHC shall be consistent with the existing agreement with the FQHCs unless there is a justifiable reason to make a change.

The AHCCCS Office of Managed Care (OMC) will collect the FQHC member month information from the health plans on a calendar quarter basis and review the information for reasonableness based on historic FQHC enrollment. Reports from the health plans to AHCCCS will be due 60 days after the end of the quarter. A check will be generated by AHCCCS for each FQHC that includes the FQHC's calculation of the supplemental payment which is the total member months reported for the FQHC multiplied by the applicable supplemental payment per member per month. AHCCCS will make every effort to provide the payments to the FQHCs approximately one month after the reports are due from the health plans.

The initial capitation amount will be \$1.75 PMPM statewide. This capitation payment is a supplemental payment provided by AHCCCS for all members who are assigned to FQHCs for primary care services, regardless of the payment methodology agreed to between the FQHC and the Health Plan. The payment is made in compliance with the Balanced Budget Act of 1997 which requires states to supplement health plan reimbursement to the FQHCs. The \$1.75 will be reduced each year beginning in the contract year ending FY 2000 based on the schedule for phasing out reasonable cost reimbursement in accordance with the Balanced Budget Act of 1997. The PMPM amount with the phase-out percentages applied will be as follows:

CONTRACT YEAR	PHASE-OUT PERCENTAGE	PMPM AMOUNT
1998 through 1999	No Phase-out	\$1.75
2000	95%	\$1.66
2001	90%	\$1.58
2002	85%	\$1.49
2003	70%	\$1.23

In addition, for the period October 1, 1996 through September 1997, AHCCCS will pay the \$1.75 PMPM to the two FQHCs (El Rio Health Center and Sun Life Family Health Center, Inc.) which elected reasonable cost reimbursement.

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AHCCCS will also settle with El Rio Health Center, Sun Life Family Health Center, Inc., and Mountain Park Health Center for the retroactive time period (April 1990 to September 1993) for \$.25 on \$1.00. The settlement total will be based on the amounts claimed for reimbursement on the cost reports for those FQHCs electing reasonable cost reimbursement for this retroactive period.

- **Christian Science Sanitoria**

There are two types of Christian Science Sanitoria services: inpatient Christian Science Sanitoria services and sanatoria extended care services. Inpatient Christian Science Sanitoria services are considered to be furnished by a sanitorium in its capacity as a hospital. Payment for inpatient Christian Science sanitoria services may be no more than the Medicare cost reimbursement under the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. Sanitoria extended care services are services furnished by a Christian Science sanitorium in its capacity as a skilled nursing facility. Payment for sanitoria extended care services shall be made in accordance with the AHCCCS fee-for-service payment rates specified in Attachment 4.19-D of the State Plan.

When AHCCCS reimburses for the following services, payment is the lesser of the provider's charge or the capped fee amount established by AHCCCS. AHCCCS reimburses the following services using this methodology:

- **Clinic Services, including Freestanding Ambulatory Surgery Centers, Freestanding Dialysis Centers and Freestanding Birthing Centers**
- **Rural Health Clinic Services**
- **Migrant Health Center, Community Health Center and Homeless Health Center Services**
- **Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices**
- **Behavioral Health Services**
- **Family Planning Services**
- **Physician Services**
- **Nurse-Midwife services**

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- **Pediatric and Family Nurse Practitioner Services**
- **Other Licensed Practitioner Services**
- **Dental Services**
- **Vision Services** (including eye examinations, eyeglasses and contact lenses)
- **Therapies and Related Services**
- **Diagnostic, Screening and Preventive Services**
- **Respiratory Care Services**
- **Transportation Services**
- **Private Duty Nurse Services**
- **Christian Science Nurse Services**

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